

Expanding Local Food Systems by Marketing to Iowa Institutions: Descriptions of Five Local Projects, Key Issues and Suggestions for Success

prepared by

Practical Farmers of Iowa
300 Main Street, # 1
Ames, IA 50010
515-232-5649
ftf@isunet.net

in cooperation with

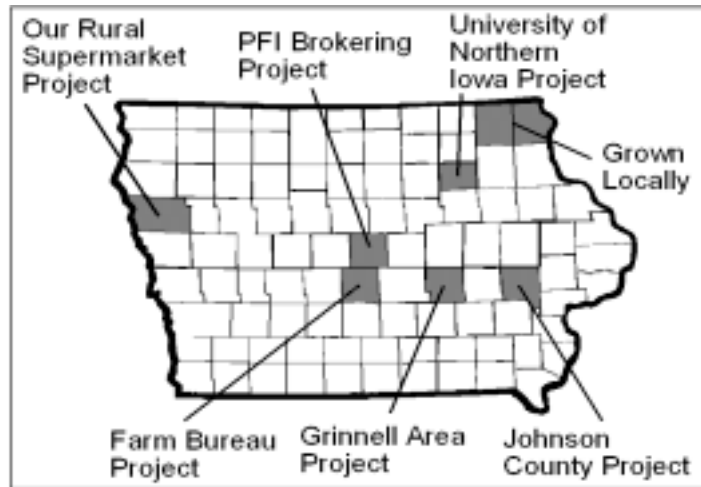
GROWN Locally
Iowa Farm Bureau Federation
Iowa Network for Community Agriculture
Leopold Center for Sustainable Agriculture
University of Northern Iowa Local Food Project
Johnson County Soil & Water Conservation District
Iowa Department of Agriculture and Land Stewardship
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Introduction

This report was supported in part by a grant from the USDA Federal-State Marketing Improvement Program to the Iowa Department of Agriculture and Land Stewardship for a project titled “Expanding Local Food Systems through Direct Marketing to Iowa Institutions.” This collaborative effort involved five existing projects and two new projects, all of which helped market products from Iowa farmers to Iowa institutions. This report starts with descriptions of the five existing local efforts, followed by an overview of key issues and suggestions for success.



Locations of institutional marketing projects involved in this project

Project Descriptions

1. Local Food Brokering Project of Practical Farmers of Iowa

Practical Farmers of Iowa (PFI) is a non-profit group that has been working to help farmers market their foods. One of the ways PFI does this work is through its Local Food Brokering Project. This project began in 1998 when PFI started helping locate local sources of foods for the Scheman Building at Iowa State University, which serves over 900 meals each year to organizations holding meetings and conferences at the facility. Shortly thereafter the project received funding support from the Leopold Center for Sustainable Agriculture. The project has since branched out to serve other hotels, conference centers, and restaurants, although the primary focus remains serving requests for all-Iowa meals for events of groups, mainly agricultural and environmental organizations.

The main features of the project include 1) a grower's network for servicing orders, 2) the use of seasonal menus to help institutions plan and sell meals, 3) the use of a single point of contact for sourcing product for all-Iowa meals, 4) an electronic system for placing orders, 5) a fee system to generate revenues for the brokering service, and 6) an educational component for people who are served these meals.



*Members and supporters of PFI's
Local Food Brokering Project grower's network*

At the center of the project is a grower's network. This network started in 1998 with eight farmers who helped plan the project. During meetings the farmers identified when products would be available in order to develop seasonal menus. They also set prices for their products so institutions could calculate how much to charge clients for local food meals. Policies were also set for selecting growers to use for the different meals, with the basic principle being that the

business would be spread among the growers. The number of farmers involved grew from eight in 1999 to 27 in 2001, which included fruit and vegetable growers and farmers with poultry, pork, beef, fish, and cheese products.

The information from the grower's network was used to help develop a menu to sell all-Iowa meals to clients. The menu has three seasons (early summer, mid-to-late summer, fall-to-early winter) based on the availability of different fruits and vegetables. The entrees (meats, fish, and poultry) are listed separately because they are available year round. The menu notes that substitutions may be required because of potential variability in supplies due to growing conditions.

Once orders are placed by food service buyers, requests for products are sent to members of the grower's network by email. Growers respond and choices are made from those with the reproducts, with delivery and billing done directly by farmers, though occasionally PFI staff helped move product from farms to institutions. Some result have been:

- the number of meals served to groups increased from six in 1998 to 48 in 2001;
- the total number of people served increased from 360 in 1998 to 5,954 in 2001;
- the number of different facilities hosting meals increased from three in 1998 to 20 in 2001.



*Guests enjoying an all-Iowa meal at
the Hotel Fort Des Moines*



Chef Don Sturtz of the Scheman Building at Iowa State University

To test whether revenues could be generated in exchange for the brokering services, the project established a fee system for the 2000 season with three sources of revenues - farmers involved in the growers' network, conference facilities, and clients being served all-Iowa meals. Farmers paid a \$10 annual fee and remitted 5% of total sales to PFI at the end of the year. The ISU Scheman Building paid a \$100 annual fee, and clients had a surcharge of 60¢ added to

the cost of each meal, which was to be paid to PFI by Scheman at the end of the season.

Fees from farmers and the annual fee from the Scheman Building were secured, but the Scheman Building did not pay the 60¢ per meal surcharge because Scheman's Director of Conference Services, who had agreed to this arrangement, left for another job and there was no contract in place to bind the facility to the agreement. Thus, total revenue generated for 2000 was only \$762, with all but \$100 of this total coming from members of the growers' network, though the total would have been almost \$1,800 had the 60¢ per meal surcharge been collected. Two main lessons were learned with this test. One was that it can be important to get agreements in writing. The second was that generating sufficient revenues based on fees tied to sales will likely require larger volumes than what may be possible with all-Iowa meals.

Although generating enough revenue to support the brokering has been difficult, the educational impact of the project has been tremendous and likely worth the costs. Farmers have used their experience to market their products confidently and successfully to other institutional markets because of better understandings of these markets. Chefs are becoming familiar with local seasonal products and are building relationships with farmers in their communities. And consumers, through experiences so tangible they immediately recognize the importance of knowing where their food is coming from, are awakening to the freshness, taste and variety of local foods. The rippling effect of the project is also clear. During the first years of the project, groups from across Iowa were calling for help to put on all-Iowa meals, but now these meals are happening all over the state on their own.

The website for Practical Farmers of Iowa is www.pfi.iastate.edu.

2. GROWN Locally Cooperative

GROWN Locally is a 12-member cooperative in Allamakee, Winneshiek and Clayton Counties that sells foods from its members to local institutions. The group started without grant support and has received only minimal financial assistance since its inception. Its members believe that if farmers can organize themselves, both farmers and the institutions they serve will be helped. The group's focuses have been on expanding institutional markets for local foods, educating coop members and local food buyers, and being a model that can be replicated in other places.



Each member's initial investment was \$100. Buyers are included in their monthly meetings and decision-making when possible. They have from 14 to 20 people at these meetings. Food services they sell to have mainly been hospitals, nursing homes and health care facilities. During its first year (2000) they worked with 14 buyers. In 2001 they started to work with additional food service establishments, including Luther College and a couple of restaurants, one which worked to build their menu around what GROWN Locally had available.

They split sales calls between farmer members - each handles institutions near their farms. There isn't a standard process for farmers to use making these calls, but they have an information packet for buyers that includes 1) a summary of what GROWN Locally will do, 2) a listing of product, quantities, times available, and prices, and 3) some articles on GROWN Locally.

One of their members serves as a coordinator. Orders are split between members with products available, and the coordinator works to spread the business among the farmers. The ordering system starts with farmers sending emails each Sunday of available products to the coordinator for product lists with prices that are faxed to buyers. Buyers place orders by 5 pm Tuesday, and emails orders are sent to coop members who delivered to one member's farm by 8 am Thursday. The foods are washed and packed for delivery that day. Payments then come to GROWN Locally, which in turn pays its members. The system allows clients to make one order, get one delivery, and get one bill per month.

They set prices by looking at what the competition charges, and they then try to be competitive and set their prices as a group at the start of the year for the entire year. They add 10% to these prices in bills to clients, and when payments come the coop keeps 20% so that half of the coop's income

comes from farmers and half comes from institutions.

The farmers plan how much of the different crops to grow during the winter. They grow “every vegetable imaginable” and added apples for 2001. They don’t work with meats, dairy or eggs yet - they want to get their feet firmly on the ground before broadening their product line. They are also interested in deepening their current markets; they recently received grant funding to purchase equipment to process their products and generate greater sales by preserving harvests for later sales and by processing foods into forms that are more easily used by institutional food service workers.

The website for GROWN Locally is www.grownlocally.com.

3. Iowa Farm Bureau Federation Dining Facility Project

The effort to serve foods from Iowa farmers in the dining facility at the Iowa Farm Bureau headquarters in West Des Moines began in 1998 following a recommendation from Farm Bureau’s environmental and natural resources advisory committee. Farm Bureau saw an opportunity to support a new promotion program called The Taste of Iowa™ (ATOI), which is available to fresh produce that is 100% raised in Iowa or processed foods with at least 50% of their value added in Iowa.

A key concern from the start was food safety. Farm Bureau’s dining facility , which serves over 500 meals daily, is operated by Sodexo Services, a food and facilities management company. As a safeguard, Sodexo wanted to use its current suppliers because they had \$2 million in commercial liability insurance coverage. One of these suppliers was Loffredo Fresh Produce Company, which distributes fruits and vegetables to about 1,400 customers in four mid-western states. Another was SYSCO Food Services, which provides meats for the dining facility . Thus, farmers wanting to sell to this facility would need to work through these companies.

For fruits and vegetables, a linkage was established in 1999 to Country Foods, a project of a Southwest Iowa economic development group. After a successful 1999, a drought the following year in Southwest Iowa severely restricted the ability of Country Foods to deliver product. So in early 2001 two meetings were held that included Loffredo and Farm Bureau staff and about ten farmers to discuss developing a supply network and process for acquiring Iowa produce.

At these meetings Loffredo noted an increasing demand for Iowa home-grown products among their customers. They also indicated a desire to pay higher prices for these products, though they were unwilling to set these prices prior to the growing season. And they said they would include Iowa home-

grown products on a specialty produce list sent weekly to a subset of their customers with farm names next to their products.

Loffredo also requested that the farmers:

1. provide Loffredo with product lists, including prices and quantities anticipated by dates;

2. communicate regularly with Loffredo on changes in availability;

3. use similar standards for packaging and quality as products Loffredo obtains from other sources;

4. deliver products to Loffredo's Des Moines facilities, although Loffredo trucks could pick up product if locations were convenient and there were enough quantity to justify stopping; and

5. provide a letter of guarantee to Loffredo stating that their products were "produced, handled and shipped adhering to all local, state and federal guidelines for good manufacturing practices (GMP) and/or good agricultural practices (GAP)."



Tom Singer, Sodexho food service director at the Farm Bureau dining facility in West Des Moines

The 2001 season, in general, was difficult for the local farmers who had been interested in marketing through Loffredo because of poor weather, and so minimal amounts of product from these farmers was secured. However, Loffredo is committed to continuing the effort. And while the model holds promise because it uses the existing distribution infrastructures of Loffredo, these are issues that appear to challenge this effort:

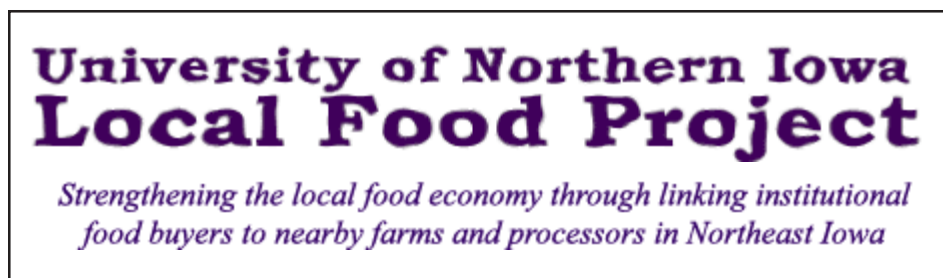
1. Clearly the potential exists for this collaboration to be a win-win-win for the farmers, the distributors, and the food services, but the marketplace and supply chain will need to reward all participants with adequate profits, and work is needed to assure this result.

2. There is a need to differentiate products from local farmers so they are rewarded for attributes like superior quality, but achieving this differentiation will require an educational program to help buyers learn about the quality of home-grown products.

3. Fresh local produce grown for local consumption is often more perishable than produce from more distant locations, and getting current food distribution systems to move these home-grown products to users in a manner that maintains quality will be a challenge.

4. University of Northern Iowa Local Food Project

The University of Northern Iowa Local Food Project started in 1997 with a grant from the Leopold Center for Sustainable Agriculture. At first the project worked to develop new markets for local farmers at the University of Northern Iowa, Allen Hospital, and Rudy's Tacos, which is a local restaurant. Over time the project expanded to other health care facilities, nursing homes, restaurants, and one college, some of which are in other communities, bringing the total to ten institutions.



The project's design involved the use of interns who were supported by grant funding and who work to connect farmers with

buyers. The process involved initial meetings with buyers, farmers and processors where prices, ordering methods, and delivery procedures were discussed. During the growing season, interns called farmers on order days to find out what is available, with institutional buyers using this information to place orders through the interns. Farmers delivered and were paid individually by the institutions. Prices were set individually by farmers involved. Price was not an issue for buyers, in part because the product was very good quality. Once relationships were established, buyers and farmers began working directly.

Ten farmers have sold to local institutional markets through the work of this project. Most of the local products used have been fruits and vegetables, although some buyers began purchasing local meats processed at a local meat locker. To date the project has not attempted to facilitate cooperation and coordination among the farmers involved, although this is an idea that continues to surface among the project organizers.

Data has been collected on purchases. Local food purchased by Allen Hospital went from \$4,845 in 1998 to \$44,282 in 2000, with the latter being 30% of their total food purchases. And Rudy's Tacos, which had purchased 37% of its foods locally in 1997, increase purchases of local foods to \$123,108 in 2000, which was about 60% of total food purchases.

The project has compiled a set of lessons learned, which include the following:

1. Each institution is different. Consider these questions when approaching a food buyer:
 - Who is running the food service? Institutions who run their own food services have more control over decisions compared to those who out-source the entire food service.

- When do they need what kinds of products? Schools, for example, are not in session in the summer months, but restaurants have year round demand.
- Who are the people who eat there? Winter squash might not go very well with college students, but the elderly at a nursing home might love them.
- How committed and flexible are they? This can vary greatly from place to place.
- How will they benefit from local buying? Some institutions like restaurants can see immediate payoff from buying locally, while other institutions may not see the marketing value of serving locally-grown food.

2. A positive working relationship with the food buyer/staff is critical.

3. Food service managers are extremely busy.

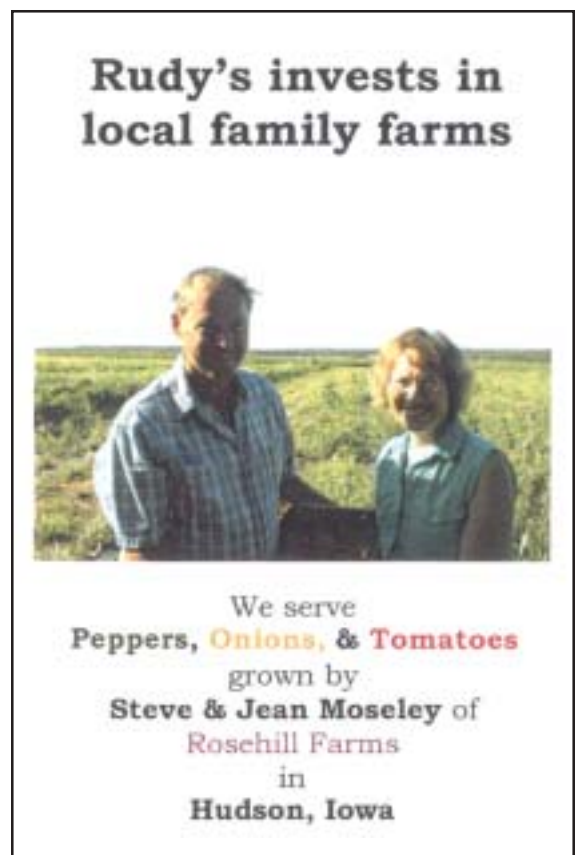
4. Strengthening local food economies involves new relations, new marketing pathways, new infrastructures. These developments take time and effort, perhaps a decade or two.

5. Much more can be done to expand institutional markets. This project involves only a small portion of the institutions available to local farmers - many more institutions could also be involved.

6. State level public policies are needed that provide incentives for institutional buyers to buy locally.

7. A need exists to more thoroughly document the economic and societal benefits of local buying.

8. Locally-grown food can be price competitive; the project's experience was that institutional local food purchases did not result in significant increases in food budgets.



A table tent used at Rudy's Tacos to promote locally-grown produce

The website for the UNI Local Food Project is www.uni.edu/ceee/foodproject.

5. Johnson County Local Food Project

The Johnson County Local Food Project grew out of a pilot institutional buying project funded in the fall of 1998 by an Extension 21 grant and administered by Iowa State University Extension in

partnership with the Johnson County Soil and Water Conservation District (JCSWCD). Subsequently, the JCSWCD received a three-year grant from the Leopold Center to continue and expand the project. A half-time Local Food Systems Coordinator carried out various activities to educate the public about local food systems and to facilitate commerce between local growers and buyers.



Chef Kurt Friese, owner of Devotay and chef/owner of Adagio (both restaurants are in Iowa City).

This institutional buying project was loosely organized, with producers working independently of each other. Producers established individual relationships with restaurants; each buyer-grower partnership established its own set of working rules. The project's original plan called for the formation of a steering committee and a pilot business plan. Several meetings were held with about a dozen growers and a handful of chefs and caterers. Other food-buying institutions such as retirement homes and hospitals did not show interest in participating. An attorney with a strong background in agriculture wrote a draft of a business plan. Participants were asked to review and comment on the plan; unfortunately, they were too busy with daily operations to find time to pursue the develop-

ment of a business plan. As well, and chefs expressed the desire to handle transactions with growers themselves rather than relying on a coordinator to broker sales.

The project coordinator's role has been to:

- advise buyers when a producer has a product he or she wants help marketing;
- pass on to growers any product needs or marketing advice expressed by institutional buyers;
- compile sales/purchase information and invoices provided by project participants;
- mail produce growers pricing guidelines and weekly or twice-monthly price lists supplied by two major vendors to restaurants;
- approach new growers or restaurants who might be interested in local commerce with an invitation to learn more about the project (restaurants were provided with a list of local growers and Iowa-grown products);
- publish a directory of food producers in Johnson County and adjacent counties.

In 2001, eleven food producers formally participated in the project and sold to seven restaurants. Six farmers grew a variety of fruits and vegetables. Two raised pork, beef and chicken. Three raised both livestock and produce. Three were certified organic. Three others used organic techniques but

were not certified. All but one producer lived and operated their farm within 30 miles of Iowa City.

Farmers would set their own prices and negotiate on these prices with buyers. Commercial vendor prices in any given week generally determined the lowest acceptable price, but producers usually received at least a few cents more on the dollar and sometimes up to 10-15% higher than commercial vendor prices. Prices offered varied among restaurants, and each restaurant might offer different prices throughout the season depending on menu and budget. A finding of the project was that public education is crucial in guaranteeing a profitable price for growers; restaurants are willing to pay more for locally-grown food if they can pass the extra cost on to consumers. In turn, consumers must be willing to support and request locally-grown food in restaurants.



Chefs Barry Greenberg (left) and John Moloney (right) of the Iowa Memorial

Locally-grown food is increasingly listed on menus in Iowa City, and a couple of restaurants make statements in their menus that they support local growers whenever possible. One caterer is thinking of going all-local for sources of product. All-Iowa meals, which have been on the increase, also provide opportunities for public education.

Potential for growth and expansion of this project is considerable, but this potential depends on price and on producers' abilities to meet demands. Institutions other than restaurants represent an uncertain and untapped market at this point. Most producers in the region have small, diversified operations and do not have the economy of scale nor the volume to meet the needs of very large markets in profitable ways.

Producers currently operate independently, each delivering produce from 20 or more miles away, and they sometimes compete with each other for the same small, specialized markets. A cooperative structure could be of mutual benefit, allowing producers to pool labor and resources to cover the market more efficiently. However this would require considerable effort and infrastructure, as well as willingness and ability to work together. In addition to a cooperative structure, growers involved in this project would benefit from cold storage facilities, as well as a centralized kitchen for freezing and canning to extend product availability outside the standard growing season.

Nine Issues on Marketing Local Foods to Institutions

The following nine issues are adapted from a report by Practical Farmers of Iowa to the Leopold Center for Sustainable Agriculture for a project that was part of this effort to support institutional marketing in Iowa. This particular project involved interviews with retailers and wholesalers in Iowa, including retail grocery stores, hotels, restaurants and various other institutions. The issues below are drawn from these interviews. Efforts to encourage the use of local foods by institutional markets will need to address each of these issues.

1. **Competitive Prices:** Competitive pricing is the biggest barrier to successfully market to institutions. Nearly all markets interviewed said prices needed to be competitive with current suppliers. Some did indicate a willingness to pay slightly more, but farmers wanting to sell to these markets are likely to be constantly pressured on prices.

2. **Consistent Quality:** The lack of consistency in quality was the second most often mentioned barrier. Foods need to be consistently clean, fresh, and of uniform size, which points to a need to train farmers on post-harvest handling and grading skills for produce.

3. **Inadequate Supplies:** Inadequate supplies was identified as a key barrier, especially for high volume markets. And while inadequate supplies were less a concern for smaller markets like high-end restaurants, buyers wanted products consistently available from week to week rather than sporadically. High-end restaurants also had differential demands for certain cuts of meats, such as one restaurant interviewed that needs 100 pounds of beef tenderloin each week. This kind of demand poses significant barriers to selling meats to these restaurants because of the volume of other cuts that need to be marketed. And contrary to expectations, the seasonality of produce was not an important barrier as buyers said they could switch to other sources in off seasons.

4. **Standard Packaging:** The lack of use of standard industry containers was identified as a barrier, especially for high volume markets. One concern was ease of handling through the distribution system. Another was that buyers want to know how much was being purchased when ordering. For example, if a buyer ordered a case of eggplant, they want to be assured they receive the desired amount.

5. **Ease of Ordering:** Time consuming or cumbersome ordering processes was another identified barrier. Ordering must be easy or buyers won't place orders, and often this means one point of contact for products from multiple farms. Interviews with restaurants also found that they often want farmers to initiate the contacts, such as a weekly fax of products and prices.

6. **Delivery Frequency:** Another barrier was less than optimal delivery frequencies. For example, restaurants often have limited storage space, which means a minimum of two deliveries each week.

7. **Dependability:** Another barrier was the lack of dependability, which was often expressed as promises made but not kept. Buyers appreciated getting what they were promised, and they also appreciated vendors being consistent with things like calling at the same time each week for orders.

8. **Transportation/Distribution:** Another key barrier identified was moving product from its source to the end user. The absence of an efficient means by which to move products clearly hinders efforts to access and serve institutional markets.

9. **Food Safety:** Food safety has been a growing concern for institutional markets in recent years. This concern has in turn led to barriers farmers must often overcome in order to access these markets. One is the need for commercial liability insurance, with some firms requiring as much as \$2 to \$3 million in coverage. A second is that some firms require farmers to provide written guarantees that they adhere to guidelines for Good Manufacturing Practices and/or Good Agricultural Practices. While carrying product liability insurance and following appropriate guidelines are good practices, many farmers are unfamiliar with these topics.

Suggestions to Improve Opportunities for Success

1. Given the constraint that price plays in selling to institutional markets, efforts are needed to address this topic. Three suggestions for addressing price are:

- a) carefully segment markets to identify and serve buyers who are willing and able to pay more;
- b) differentiate products from those typically sold to institutions and invest in promoting them based on their unique characteristics; and
- c) improve efficiencies to reduce costs.

2. While institutions can be lucrative markets for local farmers, farmers should have a mix of markets with a primary focus on selling at retail prices through venues like farmers markets. Augmenting retail markets with wholesale markets like institutions is likely the most feasible option for success. Over time wholesale markets may grow in importance in terms of profits, but only if farmers build needed skills and efforts are made to develop needed infrastructure components, such as low-cost processing and distribution options for moving the products from farms to markets.

3. Food services at many institutions are contracted out to companies like Sodexho. This is especially true of educational institutions and corporate offices. If you want to sell to institutions that have food services operated by companies like Sodexho, you will face additional challenges like those described in the Farm Bureau project description that starts on page 6 because these companies are not accustomed to working directly with farmers. Be prepared for these challenges.

4. Other topics that must be address in order to sell to institutions include:

- a) consistently high quality;
- b) adequate supplies and and regular deliveries (in some cases several times a week);
- c) ease of ordering;
- d) the use of standard containers, especially for buyers that purchase larger amounts;
- e) dependability - delivering on promises and standing behind products by giving credit or accepting returns.

5. Selling processed products like meats to institutional markets is more challenging than fruits and vegetables because of legal issues, such as requirements on labeling and the use of inspected facilities, as well as utilization issues, or being able to sell all the cuts of meat from animals processed for these markets. Be prepared to spend time addressing these issues.

6. Food safety concerns have led some institutional buyers to want suppliers to carry commercial liability insurance and use Good Manufacturing Practices and/or Good Agricultural Practices. Addressing these topics will likely be necessary.

7. Coordination and cooperation among farmers interested in accessing wholesale market, while often difficult and time consumer, can be helpful because:

- a) higher volume markets can be served through the pooling of product;
- b) it can provide buyers with a wider range of products to order from a single source;
- c) it spreads the costs of coordination, marketing and infrastructure among more individuals;
- d) it reduces competition among farmers, which can lead to better prices.